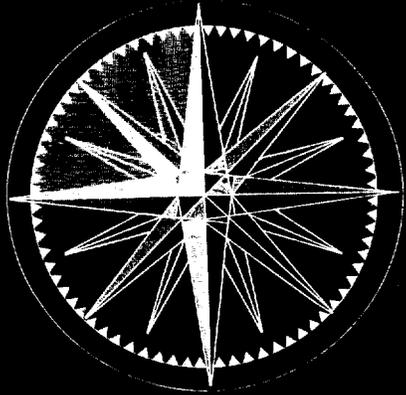


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12 August 1966

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY DIRECTORATE OF INTELLIGENCE

State Dept. review
completed

ARMY review(s)
completed.

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(Information as of noon EDT, 11 August 1966)

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Far East

VIETNAM

Scattered contacts with Communist forces have occurred during the past week as allied sweep operations continue to keep the enemy on the defensive.

In the central highlands, Operation PAUL REVERE II reported several heavy engagements with Viet Cong and North Vietnamese Army units. Since this border-surveillance ground sweep began on 31 July, 375 Communists have been killed as compared with friendly casualties of 65 killed and 214 wounded.

Sporadic fighting between US Marines and elements of the 324B Division has been reported in northernmost Quang Tri Province as Operation PRAIRIE continues its search of the area. Cumulative casualties for this operation which began on 3 August include five Americans killed and 26 wounded, with a total of 67 Communists killed.

In the coastal flatlands of Quang Tin Province, US Marines participating in Operation COLORADO were in heavy contact with an estimated two-battalion enemy force on 10 and 11 August. Initial casualty reports indicate 31 Americans have been killed and 154 wounded. A total of 142 Viet Cong have been killed.

MACV has increased its estimate of the strength of the 324B Division from 5,000 to 9,410. This change and others announced by

MACV raise the number of confirmed North Vietnamese troops in South Vietnam to 44,900, about three quarters of whom have arrived this year.

MACV is continuing to interrogate a Viet Cong soldier who defected on 2 August in II Corps. He seems to be, as he claims, a lieutenant colonel on the staff of a Viet Cong division east of Saigon. If so, he is the highest ranking VC to have come over so far.

There have been frequent rumors that other high-level Viet Cong want to defect, but few have done so. Most VC military defectors are still newly conscripted privates, usually from guerrilla or militia units. As yet, no Main Force or Local Force unit, even as large as a squad, has defected en masse. The few guerrilla units to have rallied have done so, almost without exception, as a result of heavy military pressure.

Hanoi Determined to Continue War

North Vietnamese press commentary this week featured articles and speeches by prominent military spokesmen expressing a determination to continue the war. The content and timing, following the public reappearance of some politburo members after a two-month absence, strongly suggest a high-level review of military prospects that reaffirmed Hanoi's intent to fight a protracted war. Several earlier articles, notably one by Nguyen Chi Thanh,

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suggested that this decision was reached after extensive debate.

All of the latest commentaries optimistically assessed the Viet Cong's military accomplishments during the last so-called "dry season" (November 1965 to April 1966). Moreover, they argued that Communist forces in the South in the past few months have met the challenge of the massive introduction of US troops.

Although admitting that the US buildup has necessitated a review of accepted theoretical as well as tactical principles, these spokesmen gave the impression of being satisfied with VC performance. The articles claimed that the Viet Cong have not only protected their own Main Force units from US spoiling operations, but that throughout the country they can still penetrate and harass strategic American strongholds such as Da Nang as well as interdict all major land communications routes. The articles attempted to create the impression that despite the American buildup, the VC have held their own without any significant loss of territory or people, and are ready for the next round.

Election Developments

The Saigon government has intensified its campaign to publicize the 11 September elections for a national constitutional assembly. Presumably to dispel skepticism concerning the elections, Premier Ky and his ministers tried to impress provincial functionaries during a

recent seminar in Saigon with the necessity of maintaining a fair and free atmosphere.

The screening process for potential candidates has been completed and the final list will be posted on 12 August for the 108 seats, excluding the nine montagnard candidates who will be elected in accordance with tribal custom. The final pre-election process will begin on 26 August, when a two-week campaign period starts.

Buddhist Developments

Recent communiqués and letters from the Buddhist Institute indicate that the leadership crisis has been at least temporarily resolved. The current line, presented by acting chairman Thich Thien Hoa, tends to reflect the stand of the militants in calling for a boycott of elections organized by the Ky government. There is no indication, however, that the Buddhist clerical hierarchy plans to take to the streets again. The Buddhists are also calling for the release of followers detained for supporting the recent "struggle" movement.

Tri Quang was allowed to meet this week with Buddhist Institute council members, apparently to discuss his accepting an invitation from some Japanese Buddhists to visit Japan. Tri Quang seems disposed to go and the government has privately registered no objections.

Government Activities

Government leaders, taking advantage of the relative political

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calm, are visiting Africa, Europe, and the Far East. Premier Ky began a four-day good-will trip to the Philippines on 10 August, and Deputy Premier Co is visiting several European and African capitals.

that if a majority of replies to his 16-nation note were favorable, Thailand would try at least to convene a conference of non-Communist Asian states that could provide a forum for a general airing of views on how the war can be ended.

Thanat indicated that the 8 August note would be useful in "forcing" Asian countries to take a clearer stand on the war, and would help refute allegations that the US presence in South Vietnam is universally unpopular in Asia. Peking and Hanoi have already denounced Thanat's proposal. The Japanese, whose attitude would be important, seem favorably disposed to such a meeting.

Thai Peace Initiative

Malaysia and the Philippines joined Thailand on 8 August in a note to 16 Asian countries urging them to issue an appeal for a negotiated settlement of the Vietnam war. Earlier, Thai Foreign Minister Thanat had called publicly for an Asian-sponsored conference on Vietnam. Thanat told the US ambassador in Bangkok that he realized the Communists would probably not accept his peace conference proposal, but

Soviet Protest

The USSR has protested that strafing by US aircraft damaged the Soviet merchant ship Medyn in Haiphong harbor on 2 August. The protest note was carefully worded and did not suggest that the ship was deliberately attacked or that Moscow would change its present policy of limiting Soviet risks in Vietnam.

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INDONESIA AND MALAYSIA MOVE TO END CONFRONTATION

Now that the new Indonesian cabinet has been installed, the Suharto government has moved rapidly to make its peace with Malaysia. The Malaysian Government, although somewhat wary of Indonesia's ultimate intentions, has seized this opportunity to end the three-year confrontation.

The Malaysian deputy prime minister signed in Djakarta on 11 August the "Bangkok agreement," which had been concluded in late May and provides for the ending of hostilities "forthwith." The two countries presumably also signed, as scheduled and at Indonesia's insistence, secret letters which modify the Bangkok agreement by specifying that Indonesian de jure recognition of Malaysia will be delayed until the peoples of Malaysia's Borneo territories of Sabah and Sarawak have been canvassed on the question of remaining in the federation. Malaysia has refused Indonesia's request that the Bangkok agreement itself be kept secret.

Meanwhile, Indonesia shows no indication of abandoning the subversive efforts that presumably are intended ultimately to

separate Sabah and Sarawak from Malaysia. The initial purpose of these efforts apparently is to influence the outcome of the canvass, which the Malaysian Government assumes will be held in conjunction with regular elections in the two territories, probably some time next year.

The latest military incident occurred ten miles inside Sarawak on 3 August when a party of at least 12 uniformed Indonesian "volunteers" fired on a Malaysian patrol and severely wounded one man.

Meanwhile, Indonesia and Singapore are continuing discussions on the resumption of trade and consular relations. Singapore Prime Minister Lee Kuan Yew has publicly reiterated that Singapore-Indonesian agreement must await the normalization of Malaysian-Indonesian relations, and is keeping the Malaysian Government informed of the progress of the talks with Indonesia. 25X1

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Europe

NEGOTIATIONS ON OUTER SPACE AGREEMENT ADJOURN

The legal subcommittee of the UN's Committee on the Peaceful Uses of Outer Space has adjourned further consideration of an agreement governing activities in space until the General Assembly reconvenes in September. Considerable progress has been made toward an agreed draft, and despite Soviet-US differences over certain provisions, there is still a chance that these difficulties will be resolved this fall.

A major point of contention has been the US proposal that stations, satellites, and vehicles in outer space be open at all times to representatives of other states. The Soviets have balked at this, presumably because of the underlying principle of inspection. Moscow also wants reporting on space activities to be strictly voluntary, has opposed channeling such reports through the UN, and insisted that countries granting tracking-station sites to one country be required to grant them to others.

The US Embassy in Moscow thinks that despite the Soviet stand on these issues, the Russians want to conclude a space treaty at an early date. Given

the high costs of space programs and the continuing squeeze within the Soviet economy, Soviet leaders probably do not want an arms race in space, and would welcome limitations on possible US military activities there.

Why Moscow has decided to postpone an agreement at this time is therefore unclear. It is doubtful that Soviet-Chinese relations have been a major factor especially since Moscow has emphasized its view that the negotiations are "international" rather than bilateral US-Soviet talks. It may be, however, that the Soviets have been reluctant to move forward because of the complexity of the Vietnam situation.

Moscow may also still be hoping to pick up support on as many outstanding points as possible. At the final meeting of the subcommittee last week, though, only Hungary and Bulgaria fully endorsed the Soviet reservations now blocking the treaty, and the Soviet proposal on tracking stations is almost certainly unacceptable to most prospective signatories.

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BRISK POLITICAL ACTIVITY IN FRANCE

President de Gaulle's party, the Union for the New Republic, is more than holding its own against opposition from the center and left. Current polls indicate that the Gaullist Union leads the field in national appeal and that De Gaulle's personal popularity rose sharply last month, probably as a result of his trip to Moscow. In view of this favorable public response, the party will probably increase pressure to hold the national parliamentary elections this fall rather than wait until March 1967, the latest elections can be held constitutionally.

The Gaullists continue to profit from the divisions within the opposition, which is split into three major groupings--Francois Mitterrand's Federation of the Democratic and Socialist Left, Jean Lecanuet's Democratic Center, and the French Communist Party. While Mitterrand's Federation has made considerable progress in organizing itself as a serious political entity, its great unresolved problem is its relation with the Communists. Thus far, Mitterrand has refused to commit himself to any formal arrangement with them and has kept the door open for a possible electoral alliance with the Democratic Center. However, a recent poll suggesting the electorate would favor a Federation-Communist majority in the legislature over a Federation-Center alliance may encourage Mitterrand to seek some--probably

relatively flexible--understanding with the Communists.

The Communist Party continues to call for a "confrontation" with the Federation in which a common program and electoral tactics can be devised to unite the whole left. If Mitterrand holds firm, however, the Communists probably will moderate their demands rather than isolate the party entirely from the non-Communist opposition.

The Democratic Center, with a considerably narrower political base than the Federation, has nevertheless managed to put down roots in most of France. In competing for the middle ground in the political spectrum, however, it faces severe competition from the Federation on the left and from the Gaullists--especially the Independent Republicans--on the right. It nonetheless could play a pivotal role in the National Assembly if the Gaullists failed to win a majority.

At this point, the Gaullists appear to have a good chance of retaining their hold on parliament regardless of when elections are held. Moreover, they appear to be seeking to end their exclusive reliance on De Gaulle. According to a recent poll, most voters would react more favorably to a candidate supporting the institutions of the Fifth Republic than to one whose sole merit is his support for De Gaulle.

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GROWING THREAT TO INTERNATIONAL FREE TRADE

At the meeting in Geneva last week of the UN Conference on Trade and Development's (UNCTAD) group on preferences, few countries other than the US showed any willingness to resist the growing campaign of the less-developed countries for preferential treatment. At stake is the principle of multilateral, non-discriminatory trade that the US has supported for many years. Differing attitudes on the merits of particular plans leave room for further maneuvering before the expected showdown at next year's second general UNCTAD meeting, but considerable acrimony may develop in the meantime.

Thus far the differences among the developed countries--largely between those opposing any preferences, those favoring preferences on a global scale, and those favoring selective preferences for certain countries or products--have been tempered by the "technical" and noncommittal nature of the discussions, which have also been going on within the Organization for Economic Cooperation and Development. Recent changes in France's position may be intended, however, to force the developed countries, particularly the US, to agree on a single preference policy. Having abandoned its previous support for selective trade preferences, Paris is now attempting to line up Common Market support for a system whereby individual developed countries would offer all less-developed ones duty-free quotas on their exports of

manufactured and semimanufactured goods.

There is some doubt that the Common Market could in fact afford the burdens of such a policy if the US and other major developed countries did not also participate. Most of the less developed would clearly favor a joint offer of preferences for a maximum number of their products. Nevertheless, some are apparently intrigued by the prospect of some progress before all the developed can agree on one set of basic rules.

In any case, officials of the General Agreement on Tariffs and Trade (GATT) are worried that a proliferation of preferential proposals could blight the hope of continuing the general movement toward global free trade after the present Kennedy Round negotiations--under GATT auspices--have ended. The less developed argue that a lowering of tariffs on a most-favored-nation basis, as the Kennedy Round envisions, is insufficient, and might place their "infant" industries in an even worse position with respect to more advanced competitors. Although the principal developed countries at Geneva have made clear that willingness to discuss preferences does not commit them to any particular plan or even to preferences in principle, the hopes of the less developed have undoubtedly been whetted merely by the prolonged consideration.

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Middle East - Africa

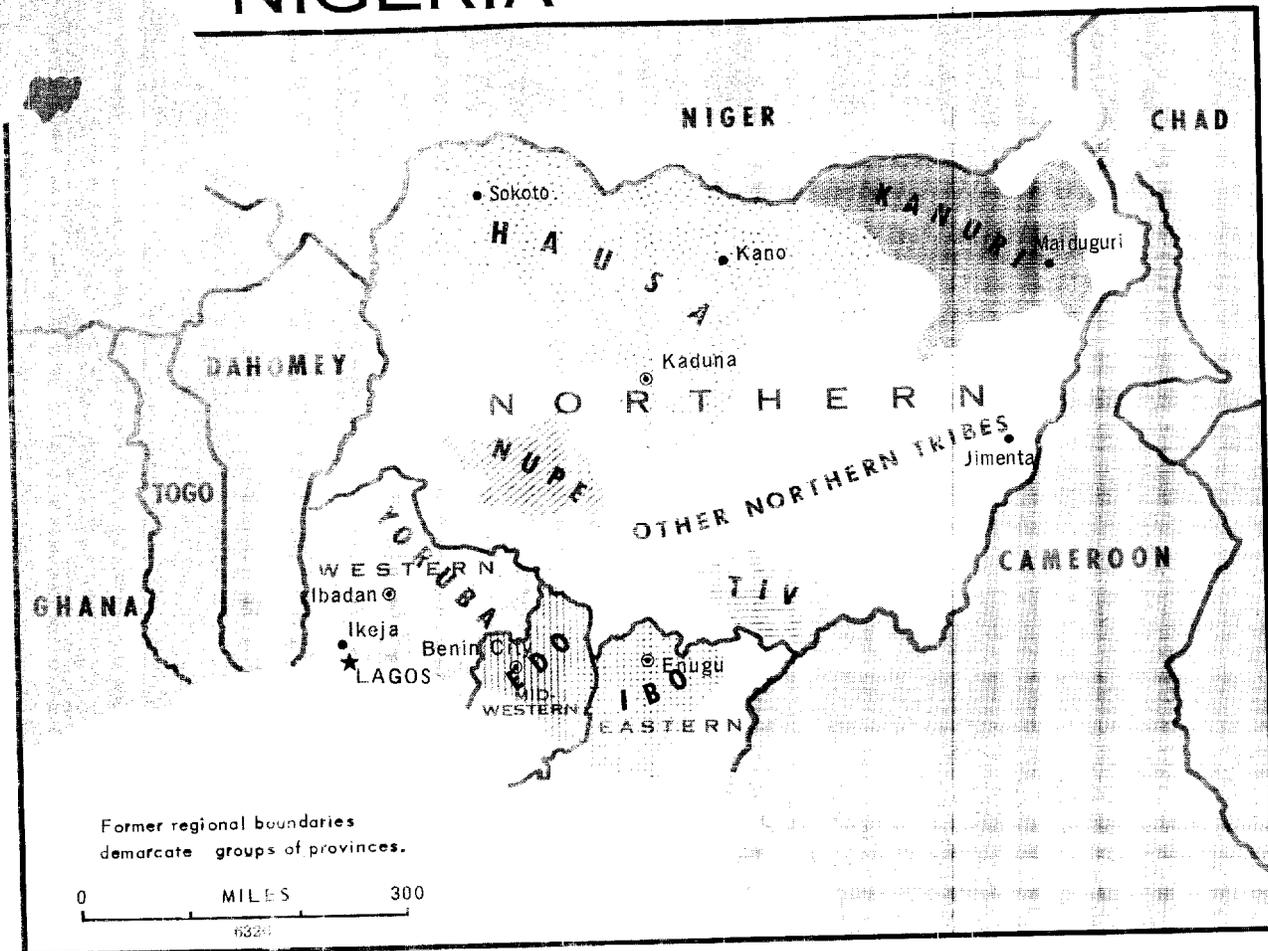
NIGERIANS SEEK NEW BASIS FOR CONTINUING UNION

Pressure for an early breakup of Nigeria along tribal lines lessened this week as new Supreme Commander Gowon met with regional representatives in a first step toward working out a new basis for continued association. Some form of loose federation with a high degree of regional autonomy appears likely to emerge from the discussions. There are indications, however, that Gowon

is not in full control of hard-core northern army elements, who can be expected to resist any decisions or orders not to their liking.

Although eastern military governor Ojukwu has still not formally acknowledged Gowon as deposed General Ironsi's successor, he joined the other regions in sending representatives to the

NIGERIA



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Lagos talks. Recent remarks by Ojukwu indicate that he has pulled back somewhat from his earlier insistence that partition is the only solution for Nigeria. Current attitudes of important Ibo citizens, especially former eastern premier Okpara, are not yet known, however. Okpara, who had been detained by Ironsi, has just been released from prison along with most other confined politicians and may attract more popular support than Ojukwu.

There is reportedly some sentiment among the northern emirs and chiefs for the separation of the East from the rest of the country. However, the designation of Sir Kashim Ibrahim, a former civilian governor of the North, as one of the top representatives to the interregional talks may indicate that moderates who wish to preserve the country's basic unity have prevailed. In any event, the prospect of an early secessionist move by the North seems to have diminished. In the West, Chief Awolowo, the top leader of the important Yoruba tribe, has come out strongly in favor of a federated, unified Nigeria.

Gowon's announced intention to return the country quickly to civilian rule probably represents both his own inclination and a realization that there are few senior army officers left who are capable of administering the

country. He has, however, continued the ban on political parties and has told the politicians to avoid making controversial statements. Basing his program on the immediate repeal of Ironsi's May decree creating a unitary state, Gowon has already convened an advisory committee, composed of civilian nominees of the regional military governors, to prepare the way for a constitutional review assembly. Meanwhile, civilians are to be added to the executive council of the Ironsi regime.

The badly shattered army continues to pose major problems. Some of the northern troops, disregarding Gowon's orders, are apparently still searching out Ibo military personnel. Ojukwu, who is clearly concerned about the predominance of northerners in the army battalion based at Enugu, the eastern regional capital, has demanded "neutralization" of the army by the return of each tribal component to its home region. Northern Hausa officers also favor such a reorganization, although aware that it would create serious troop shortages in certain areas. The 18,000-man police force, whose personnel are largely recruited from the areas in which they serve, is the principal means of maintaining law and order.

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MUTINY CONTINUES IN CONGO (KINSHASA)

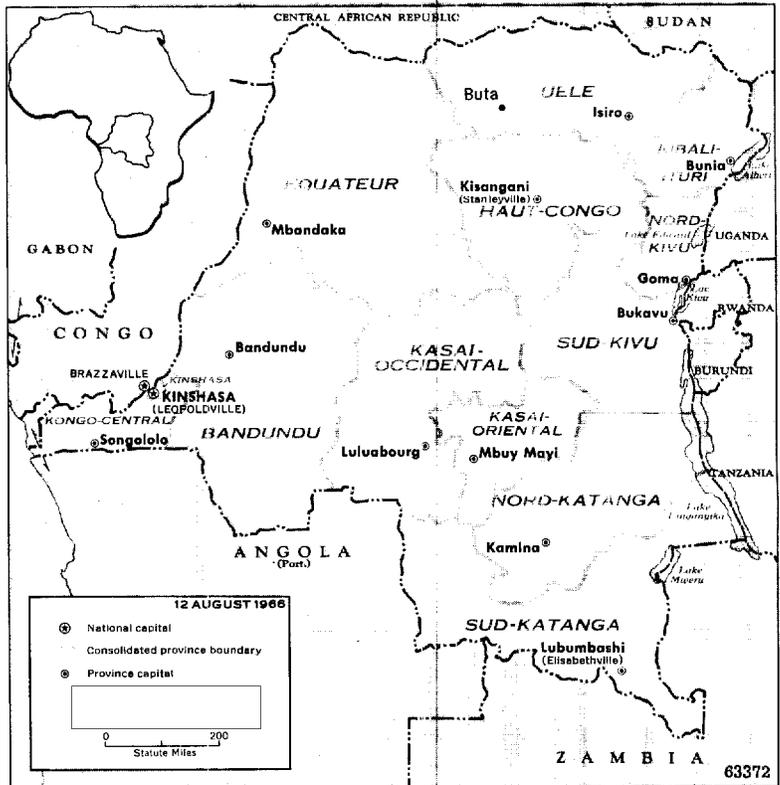
The Mobutu government has made no real progress in its efforts to end the mutiny of Katangan troops in Kisangani (Stanleyville). The city is quiet, but the Katangans remain in undisputed control of most of it. They give every indication of confidence in the strength of their position, and the government seems unlikely to regain their allegiance without substantial concessions. Premier Mulamba, who is now in Kinshasa after spending two weeks in Kisangani negotiating with the mutineers, apparently plans to return for further talks at the end of this week.

Another Katangan unit, which left its posts in the far northeastern Congo two weeks ago, is continuing its slow progress toward Kisangani and may now be at Buta. There is little prospect that the government forces in the path of this unit will be able to stop it. It has already caused considerable disruption in the region it has passed through. Reports are beginning to come in of renewed rebel activity in the areas left ungarrisoned by the departure of the Katangans or by the disappearance of government troops.

Relations between Belgium and the Congo, on the other hand, have recently improved somewhat, and there is some prospect that a dialogue between the two can be started. Mutual suspicions are so deep, however, that deterioration could easily begin again.

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DEMOCRATIC REPUBLIC OF THE CONGO



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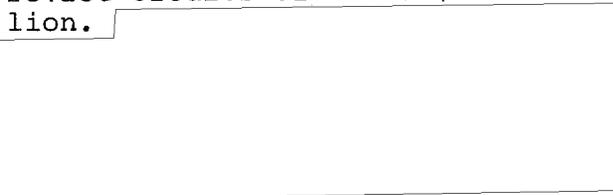
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SINO-SOVIET COMPETITION FORESEEN IN MALI

An intensification of Sino-Soviet competition in Mali may be shaping up. An economic delegation from the USSR arrived in Bamako on 9 August and one from Communist China is scheduled to arrive later this month to discuss aid programs.

After the slow progress of the past several years, Moscow now appears to be preparing to revive its economic aid program-- apparently in an attempt to counter Chinese efforts there. Moscow has sent its delegation to look into proposed aid projects-- the construction of a meat canning plant, a tannery, and a railroad linking Bamako with Kankan in Guinea--to utilize outstanding Soviet credits of about \$25 million.

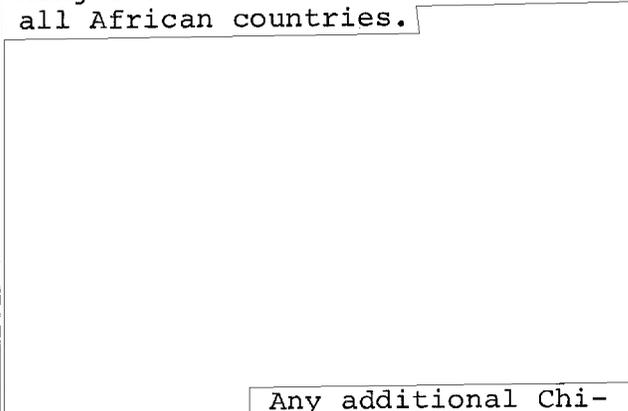


The groundwork for increased Soviet economic participation was laid during President Mobido Keita's visit to the USSR last October when preliminary discussions were held on possible Soviet projects and tentative agreements reached. At that time Moscow also took steps to alleviate some of Mali's financial burdens by agreeing to consolidate the Malian debt, postpone debt repayment until 1970, and cancel all unpaid interest.

Moscow has also increased its activity in the military field.

Recent deliveries of Soviet military equipment ordered under an October 1965 arms agreement have included T-34 tanks, armored personnel carriers, arms and ammunition, and MIG jet aircraft. Some surface-to-air missiles may also have been included in the agreement.

Communist China, which has suffered a number of setbacks in Africa during the past year, has continued to use economic aid offers to strengthen its influence in Bamako. In June, during Justice Minister Madeira Keita's visit, Peking responded to Mali's request for hard-currency assistance with a \$3-million cash loan--bringing the total of such aid now extended to some \$11 to \$17 million, roughly one third of Peking's cash credits extended to all African countries.



Any additional Chinese aid projects probably will involve new credits, since most of the \$38 million already extended has been obligated for specific use and over two thirds has been drawn down.

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Although many of the Communist undertakings are of questionable feasibility or value, they are projects particularly desired by Bamako. The Malians presumably are especially pleased over the Chinese provision of hard currency. Nevertheless, Mali over the past year has greatly moderated its propaganda support of Communist causes and

has noticeably drawn back from its blatantly pro-Chinese position of late 1964. In addition to trying to maintain a neutral stance between the USSR and Communist China, Mali appears determined not to jeopardize its changes of getting aid from other sources, such as France, the EEC, and the US. [redacted]

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EGYPT AND SAUDI ARABIA TO DISCUSS YEMEN

Egypt and Saudi Arabia have again agreed to new talks on Yemen, but disagreement on details continues to endanger a settlement.

It is nearly a year since Nasir and Faysal signed the Jidda Agreement, laying down the terms for a cease-fire in Yemen, the cessation of military aid to both sides, and the establishment by the Yemeni people of an independent government. Only a tentative cease-fire has been achieved so far. Patient mediation efforts by Kuwait have now persuaded the two countries to meet in Kuwait on 15 August to discuss terms patched together from Egyptian and Saudi views.

The main stumbling blocks have been the ratio of representation in the proposed interim Yemeni government and the relationship between the time of

Egyptian troop withdrawal and the outlawing of the Yemeni royal family. Both sides appear ready to accept the Kuwaiti compromise that the ratio in the new government be set at three-fifths republican and two-fifths royalist.

Kuwait also recommends that Egyptian troops be withdrawn within six months, with the new government then deciding upon the banning of any "undesirables," namely, the Yemeni royal family. Egypt maintains that six months is too short a time. Saudi Arabia insists that all Egyptian troops should be out before the royal family is outlawed, since the Saudis fear that the ban will leave the royalists without leadership. These views seem irreconcilable at this stage, and the prospects for an early compromise appear dim. [redacted]

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IRAQ GETS NEW GOVERNMENT

President Arif's replacement of prime minister Bazzaz with the moderately pro-Nasir Naji Talib may not avert a new power bid by Iraqi Nasirists with Egyptian support. Talib's military background, however, may encourage army loyalty to the regime in the event of trouble.

Arif's dismissal of Bazzaz may have been sparked by a discovery that pro-Nasirist elements were preparing to move.

The three-day delay in announcing the new cabinet suggests Talib experienced considerable trouble. His original goal was reportedly a "coalition of all elements," but apparently most refused to participate. As finally formed, the cabinet has primarily colorless individuals with little previous experience. It includes a few "tame" Kurds, but they lack significant support and may fail to convince Iraq's Kurdish insurgents of the government's good faith. Some of the new ministers have served in previous Baath Party

governments--and therefore may not be altogether trusted by the Nasirists--but no actual Baathists agreed to participate.

Talib and several of the new ministers are retired military men, and Arif presumably hopes this will ensure army support. Bazzaz, the country's first civilian prime minister since 1958, was distrusted by the military, particularly those who felt that he had "sold out" to the Kurds. A loyal army could almost certainly deal with a coup attempt, even one with Egyptian backing.

Arif's haste to disassociate himself from Bazzaz is indicated by the recent barrage of criticism in the Baghdad press against Bazzaz' policies. Since the key charge seems to be that Bazzaz was an agent of imperialist interests, a cooling of relations with neighboring Iran and Turkey is probably in the offing.

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Western Hemisphere

LITTLE SUMMIT MEETING TO BE HELD IN COLOMBIA

The presidents of Chile, Colombia, and Venezuela are to meet in Bogota from 14 to 18 August to discuss continental cooperation in preparation for a proposed conference of all OAS chiefs of state. Representatives of the presidents of Ecuador and Peru, who are unable to leave their countries at this time, will also attend. The gathering was suggested by Colombia's new president, Carlos Lleras Restrepo, during a preinaugural tour of several Latin American countries.

The meeting will apparently focus on economic matters. President Eduardo Frei of Chile has long been an advocate of closer international economic cooperation, and it appears that the meeting will attempt to develop common ideas about the position of Latin American countries in their relationships with industrialized nations. Improvement of existing mechanisms such as the Latin American Free Trade Area will also probably be discussed. Although the question of arms limitation had figured prominently in the communiqués issued during Lleras' trip, this topic apparently will not come under consideration.

The meeting of this group of "reformist" presidents has led to some uneasiness on the part of

other Latin American countries that the formation of a bloc of West Coast countries might also be envisaged, but spokesmen of the presidents scheduled to meet in Bogota have been quick to issue denials of this. Further speculation that the presidents might attempt to create a Latin American bloc in opposition to the US has also brought forth denials by both Lleras and Frei. These responses probably reflect sentiment prevailing among Latin Americans in general. In late July, for example, the Brazilian Foreign Ministry, reacting both to discussions of the Bogota meeting and to Chilean press articles on the possible emergence of a Brazil-Argentine "axis" in the wake of the Argentine coup, issued a statement opposing the establishment of regional blocs within the OAS.

It is doubtful that important substantive results will develop from the conference, and the final communiqués will probably be confined to generalized expressions of support for democratic institutions and economic cooperation. Nonetheless, if the meeting goes as scheduled, it should provide a salutary opportunity for an exchange of ideas by three of the hemisphere's more progressive leaders.

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LATIN AMERICANS SEEK ARMS FROM EUROPE

Although most Latin American countries obtain the bulk of their military equipment and civilian and military aircraft from the US, they occasionally turn to suppliers outside the hemisphere, especially when for one reason or another the US is reluctant to furnish desired terms. A number of such deals are now pending, and several countries seeking European or Japanese equipment recently have been offered advantageous terms by suppliers trying to achieve greater penetration of what has been a traditional US market.

In Argentina, the Ongania regime has indicated it will look elsewhere if the US continues the suspension of military aid and sales that followed the military overthrow of President Illia. The government is discussing a \$130-million package with the UK, which would include frigates, submarines, helicopters, and the installation of a steam catapult on the Argentine carrier Independencia. The Argentines have also discussed the loan of the British carrier Centaur while their own is being refitted. Argentina's favorable balance-of-payments position would facilitate purchases.

Brazil has been looking for aircraft, both military and civilian. Varig Airlines is considering an offer of transport aircraft from [redacted] Company, but a deal for French military jets, built under li-

cense in West Germany, has apparently fallen through.

Venezuela has been negotiating since last year for the purchase of F-86 Sabrejet fighters from West Germany. The Venezuelans have already acquired 14 British Canberra twin-jet bombers and 20 French Allouette helicopters. The army is studying the purchase of French mechanized and armored equipment, and the navy has offers of submarine and destroyers from both the UK and Japan.

Mexico is also considering aircraft built under license in West Germany--in this case, F-84 Thunderjets as well as F-86s, both less obsolete than aircraft in its present inventory. The Dominican military, although currently dependent on US assistance, is considering the purchase of French helicopters, which they believe more flexible than US types.

Thus far there has been no significant reduction in the percentage of supplies bought from the US. The more advanced Latin American nations, however, have increasingly expressed their desire for more modern military hardware, and continued US reluctance to supply such weapons could well lead to increased sales by European and Japanese suppliers. [redacted]

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CUBAN RELATIONS WITH LATIN AMERICAN COMMUNISTS

Fidel Castro's 26 July speech resurrected an old problem that has periodically marred his relations with the Moscow-oriented Communist parties of Latin America --the question of peaceful or violent revolution.

The tone of Castro's speech, in which he scornfully chided Latin American "pseudorevolutionaries" who choose the path of "electioneering" rather than violence, is further evidence that he has once again lost patience with the pro-Moscow parties. Castro appears to have served notice that he is no longer bound by the accord, reached at the Havana meeting of Latin American Communist leaders in November 1964, whereby he grudgingly agreed to fund only those extremist groups endorsed by the local parties. Few of these parties favor armed struggle as the best means of bringing about revolution in their countries, and recent years have seen a sharp drop-off in actual Cuban assistance.

Some Communist leaders, who --unlike the Cubans--suffer the consequences of governmental retaliation against leftist violence, are highly concerned over Castro's renewal of the debate. For example, Manuel Mora, secretary general of the Costa Rican Communist Party, has acknowledged "serious differences" between his party and the Castro regime. He has complained of

pressure from Castro to initiate guerrilla activity in Costa Rica --a path Mora has consistently refused to take, much to Castro's disgust.

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Castro gave Chilean President Frei and his administration a severe tongue-lashing and the subsequent espousal of the speech by Senator Allende of the Chilean Socialist Party reportedly has created a serious political dilemma for the Chilean Communist Party. The party would like to maintain an outward appearance of unity in leftist ranks but has chosen the "via pacifica"--the peaceful way--as the proper road to power while the Socialists have adopted a more militant approach. Luis Corvalan, Communist Party secretary general, in responding to a Chilean Government statement provoked by Allende's espousal, found it necessary to point out that his party stands for mutual "noninterference" among the Latin American "progressive and revolutionary forces." Orlando Millas, a member of the party's political committee, cut short his trip to Cuba after Fidel's

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speech and returned to Chile to make a full report to party leaders.

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REFORM PLANS ANNOUNCED BY ARGENTINE PRESIDENT

President Ongania has outlined further plans of his government to institute reforms aimed at solving some of the basic political and economic problems that have plagued Argentina for many years.

Ongania revealed in a 4 August press conference that his regime will eventually permit the formation of new political parties to replace the ones abolished after the coup, but it seems clear that this will be permitted only after other reforms are completed. The government will promulgate a law guaranteeing freedom of the press, association, and petition, and will also publish a new labor code. Details of these plans are still lacking, however, and it appears that the regime is in no hurry to relinquish any of the powers it took after the June coup.

Ongania also gave some indications of his government's economic plans, which include both a short-range, "transitional" program and long-range goals. He hopes to eliminate

the budget deficit by cutting government investment and public works projects and by transferring many state-owned enterprises to the private sector of the economy. Ongania indicated that the government will make an effort to attract both domestic and foreign capital, and to increase revenues by streamlining tax-collection methods. The regime's long-range goals include a new social security system and ending the inflationary spiral.

The Ongania government had stated similar aims in more general terms in the past, and the press has begun to criticize the government for its slowness in beginning the promised reforms, hinting that perhaps the ministers are still groping for solutions. Ongania's address, however, points to several measures the government plans to implement and it is now becoming evident that, while moving slowly, the regime does have definite goals and is beginning to formulate the policies through which it hopes to achieve them.

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URUGUAYAN PRESIDENT THREATENS TO RESIGN

National Council of Government President Alberto Heber resigned "provisionally" on 3 August, claiming that obstacles placed in his path kept him from governing effectively; but in a 6 August speech he said he would resume his duties immediately. Much of the speech was devoted to his frustrated efforts to control inflation and his inability to fulfill a pledge to enforce necessary stabilization programs.

Heber also pointed to conflict over the removal of controversial General Liber Seregni --a member of the opposition Colorado Party--from command of an important military region near Montevideo as typical of the pettiness and ineffectiveness of the present government system. Confidants say that opposition to the transfer by council members from his own governing Blanco Party was the final straw that caused the walkout.

The Uruguayan council form of government encourages prolonged discussion and discourages decision-making. It has been basically unable to cope with persistent economic deterioration, soaring living costs, and labor agitation, much of it Communist

inspired. There is considerable popular support for reform of this unwieldy system, but many politicians who see change as a threat oppose this either overtly or from behind the scenes.

Although Heber avoided naming such politicians and alluded only indirectly to factionalism within his own party, his grandstand play was ostensibly intended to force recalcitrant Blancos to support a bipartisan constitutional reform plan, the only approach likely to attract the required majority vote. His maneuver has caused a split in both major Blanco factions, however, and increased chances for antireform elements to stall the proposal in congress beyond the 27 August deadline for its inscription on next November's ballot. The only clear gainers to date apparently are the Colorados, who are gleefully pointing out obvious Blanco factionalism, and the Communists, who hope to prevent any change in the ineffective government that has created conditions ideal for the expansion of Communist activity.

Heber's demagogic actions, his apparent determination to enforce his will, and the proposed military changes will do little to allay the fears of those who suspect him of laying the groundwork for an unconstitutional change of government.

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UNDERCURRENTS OF DISCONTENT IN DOMINICAN REPUBLIC

President Joaquin Balaguer, moving to counter undercurrents of discontent that have developed during his six weeks in office, does not seem to face any serious challenge and remains on top of the situation.

Many Balaguer partisans have complained about the paucity of jobs made available to them, but the President responded that his "government of national unity" cannot capriciously discharge government employees who are not members of his own Reformist Party. This disappointment over patronage may ease once the government's emergency investment program gets under way, but so far the program is stalled by a lack of direction and by difficulties in drawing up specific projects.

On 1 August, Balaguer replaced National Police chief Morillo, at least partially to meet complaints by conservative elements in his party of an alleged "leftward drift" by the regime. The new chief is believed competent and personally loyal to Balaguer, but may not display Morillo's concern for badly needed police reforms.

Opposition leader Juan Bosch has criticized the overbearing tactics of Balaguer's supporters who want fast congressional approval of the administration's sugar reforms. Perhaps partly out of frustration with his party's ineffectiveness, Bosch is now considering a month's trip in Europe.

Bosch's party may press the President for military reforms in the wake of the arbitrary arrest of several party officials on 6 August by air force officers. Although they were quickly released unharmed, Balaguer may attempt to head off charges of political suppression by disciplining the officers involved. However, such action would add to military discontent.

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